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STATEMENT BY THE
HONOURABLE MIKE HARRIS
PREMIER OF ONTARIO



STATEMENT BY THE HONOURABLE MIKE HARRIS PREMIER OF ONTARIO

July 21, 1995

 Ontario

As I travelled this province over the past several months, Ontarians have told me what they know in their hearts to be true:

This province has been on the wrong track and it's time to do something about it.

That concern was confirmed to us after the election, when Cabinet was given its first briefing on the state of the province's finances. This morning, we want to share that information with you.

The fiscal situation is not good. In fact, it is critical.

As you will soon hear from the Minister of Finance, the previous government left Ontario in far worse shape than their April economic statement indicated.

We have learned that revenue projections in the NDP's April economic statement were inflated. Spending is far higher than what the former government published, and poorly accounted for.

The combined effect of exaggerated revenue figures and uncontrolled expenditures means that, instead of reducing the deficit — as they said they had done — the former government has actually left Ontarians facing a deficit larger than last year's.

The easy thing for a new government such as mine to do is to point to the mess we've inherited, to spend all our time for the first year pointing fingers and laying blame.

What I want to do today is underscore that we got the message on June the 8th. The people of this province didn't send us here to wring our hands.

They told us the status quo is unacceptable.

Unacceptable to working men and women who struggle to make ends meet, while government squanders their hard-earned tax dollars.

Unacceptable to parents concerned about hope and opportunity for their children's future.

Unacceptable to my government.

Left unchecked, the irresponsible spending of both of our predecessors

undermines the financial stability of this province.

Voters elected us to change the status quo, to put our problems behind us and get Ontario moving again. We asked for that job, we were given and we accept that responsibility.

In a few moments, my colleague the Minister of Finance will detail the steps we are taking to put things right for the remaining eight months of this fiscal year.

Some of these measures may not be welcomed by the special interests, but all will be understood by Ontario's taxpayers who recognise that government is living beyond its means.

None of our decisions are easy or taken lightly. But, working together, and drawing on the strengths of this province, Ontario can and will live up to its potential — can and will build a better and a brighter future.

Getting our finances in order is not an end in itself — only the start of the process of re-igniting our economy and restoring opportunity and hope to our province.

We Ontarians are in this together. We must all share in the sacrifices if we are to share in the gains achieved by getting Ontario back on track.

We must do what is difficult, but what is clearly right to do.

Right to do in order to restore confidence in our economy and create jobs.

Right to do in order to restore hope for those who are unemployed or on welfare.

Right to do in order to provide opportunity for our children.


Right to do in order to create the future we all want and restore the pride in our province.

To give the details of today's announcement — the Minister of Finance, the Honourable Ernie Eves.

ONTARIO FISCAL OVERVIEW AND SPENDING CUTS

Ernie Eves
Minister of Finance

July 21, 1995

 Ontario



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INTRODUCTION

Today my colleagues and I, under Premier Harris' leadership, are taking major steps to bring Ontario's spending under control.

The former Government left the province with a spending crisis which is just that: a spending crisis.

The deficit outlook is significantly worse than the former Government indicated in April. Revenues are lower. And expenditures are much higher than the former Government indicated.

Today we are taking swift and decisive action to cut government spending immediately. We are cancelling programs and projects we simply cannot afford.

CURRENT OUTLOOK

Since taking office on June 26, I have been briefed by staff of the Ministry of Finance on the outlook for Ontario's finances.

Based on this initial review of the Province's books, it appears that, without further action, total spending this year would be about \$1.4 billion higher than in the former Government's April Budget Plan.

The reason for this, in my opinion, is that the former Government did not take the tough decisions to keep spending under control. For example:

- Without the actions we are taking today, capital spending would be \$344 million higher than budgeted for in April.
- Without the actions we are taking today, our social assistance costs this year would be \$600 million higher than budgeted for in April.
- And some known expenses, like \$63 million in additional costs for the long-term care program, were not included in the April Budget Plan at all.

In addition, revenues this year will be about \$1.4 billion lower than the former Government projected. Clearly the economy weakened earlier in 1995. The economic assumptions underlying the previous Government's

Budget Plan were overly optimistic. In fact, Ontario's real GDP declined in the first quarter of 1995.

The slowdown of the U.S. economy hampered Ontario's export industries, and the impact of higher interest rates in 1994 has weakened consumer spending.

As well, the former Government's plan assumed \$100 million in new non-tax revenues from measures to be decided after the election.

There are signs that economic growth will resume in the third and fourth quarters of this year. Housing activity has picked up, manufacturing is expanding once more, and interest rates are down from 1994. Yet we cannot realistically expect revenues to be as high as the former Government projected in April.

The bottom line is that, if we do not act immediately, the Province's deficit this year will be \$10.6 billion. This is unacceptable.

CUTTING SPENDING

Even in the face of a slower economy, governments must stop acting as though the problem is one of insufficient revenues. Based on the briefings I have received, I am convinced that our Government has inherited a severe spending problem. We are taking immediate action.

- We have begun by putting our house in order. This Government has fewer ministers and fewer ministries than its predecessors.
- All programs offering grants, loans or guarantees to business have been frozen. This measure will save \$71 million in 1995-96. This includes \$5 million from the Ontario Network Infrastructure Program to support the telecommunications sector. It also includes \$23 million from the Sector Partnership Fund, which is being phased out.
- Social assistance rates will be reduced by 21.6 per cent effective October 1, so that they are on average 10 per cent higher than the average of the other nine provinces. This measure will save \$469 million

in 1995-96 and \$938 million in 1996-97. Recipients who work will be allowed to earn back the difference between the old and new rates.

- Social assistance benefits for the support of seniors, persons with disabilities and their families will not be reduced.
- New measures to tighten eligibility and reduce fraud will be introduced to ensure that welfare goes to those persons who are truly in need, saving up to \$15 million this year.
- The Province will end special relief for municipalities with high welfare caseloads. This will result in reduced transfers of \$30 million this year. However, these will be more than offset by reduced municipal welfare costs.
- We are cancelling spending for the conversion of private-sector childcare spaces into non-profit spaces, saving \$7 million this year and \$13 million next year. This program has cost taxpayers \$52 million to date without creating a single new childcare space. In addition, as dollars become available, municipalities will now be able to allocate subsidized childcare spaces to private operators. We will also be examining the childcare system as a whole, including wage subsidies, to ensure that taxpayers' dollars are spent in the most effective way.
- We have placed a moratorium on the development of non-profit housing.
- The JobsOntario Training program is being cancelled. Effective immediately, no new financial commitments will be made. Commitments to participants currently in the program will be honoured. This measure will save \$86 million in 1995-96 and another \$40 million over the two following years. Effective October 1, the 14,000 childcare spaces created under JobsOntario Training will be funded by the Province and municipalities under the regular 80-20 cost-sharing formula.
- Rapid transit, roads, highways, and GO Transit projects will be deferred, saving \$200 million this year. This includes a reduction of \$74 million in the budget for municipal roads, \$42 million for rapid

transit in the Greater Toronto Area, \$36 million for provincial highways, \$15 million for GO Transit and \$33 million in other transportation initiatives. We will proceed with transit projects in a phased approach, beginning with the Sheppard subway line in Toronto. We are deferring the Eglinton West project until the Province and Metro Toronto have sufficient funding to proceed.

- The Provincial contribution to the Canada-Ontario Infrastructure Works program will be reduced to \$287 million this year to match the federal government's contribution. This measure will save \$73 million this year.
- We are cancelling the former Government's multi-year commitments of \$24 million towards a new or renovated ballet-opera house in Toronto and \$29 million for a high-performance computing centre.
- The JobsOntario Community Action program will not make any new commitments for community capital projects, pending a review of the program. This measure will save \$18 million in 1995-96.
- We are cancelling the Jumpstart program announced in April. This measure will save \$60 million this year. We will continue to fund other youth employment programs with budgets totalling \$185 million this year.
- Funding for the Employment Equity Commission will be cut back pending the repeal of the Employment Equity Act. Planned additional funding to implement employment equity legislation within the Ontario Public Service will be eliminated. These measures will save \$8 million this year.
- OHIP overpayments under current arrangements with doctors will be recovered.
- Funding for the Training for Workplace Innovation and Demonstration Projects programs will be eliminated, saving \$16 million this year.
- Funding for the Advocacy Commission will be cut back pending the repeal of the Advocacy Act, saving \$10 million this year.

In addition, operating spending will achieve \$500 million. The savings will be made permanent in future years. Capital savings of \$187 million will be achieved through project cancellations and spending freezes.

To date we have decided on several measures to meet the \$500 million target:

- Payments to all social service agencies funded by the Ministry of Community and Social Services will be reduced by 2.5 per cent, effective October 1, saving \$44 million. The reduction will be 5 per cent in 1996-97.
- Payments to boards of education will be reduced by \$32 million in 1995-96. This saving is to be achieved by reducing costs outside the classroom.
- Payments to colleges will be reduced by \$6.8 million, and to universities by \$16.8 million.
- The Niagara Tender Fruit Lands Program has been cancelled, saving \$15 million over the coming decade.

...is to
We are
committed to open that will allow the
people of Ontario to see the state of their government's finances.

Let me cite some examples of the kind of improvements we believe are needed. The provincial Budget and the Public Accounts are reported on two different sets of accounting principles. The Provincial Auditor has signed the most recent Public Accounts, but has repeatedly commented on the way the Budget is presented. These different presentations create confusion.

Some major capital projects are recorded separately in the Budget and yet are not included in the calculation of the Province's budgetary deficit. The Province's \$337 million investment in Toronto's Ataratiri project was written off in the Public Accounts in 1993-94 — yet because of the two accounting systems, it will not be written off in the Budget until several years later.

Ontarians have a right to clear, consistent and accurate financial information about their government.

Ontario Financial Review Commission

In the next few days I will set up the Ontario Financial Review Commission to help us review the financial reporting practices in the Budget, the Public Accounts, and the annual Estimates.

The Commission will look at such issues as the consistency of our financial reporting. Does it make sense to have different accounting presentations for the Budget and the Public Accounts, as we do now?

The Commission will also examine the business plans and proper financial reporting for Crown corporations.

Special audits

I am also directing that value-for-money audits of selected Government projects and agreements be undertaken. Ontarians should know about their Government's outstanding obligations. Where costs have risen, they should know why — and they should know that management practices are in place to prevent similar cost overruns in the future. These audits will review:

- arrangements for the financing of property leases on the Toronto Islands
- the Province's agreements relating to the sale of the assets of Ontario Bus Industries, and
- the Ataratiri project, which was intended to build housing on former industrial land in downtown Toronto.

The Chair of Management Board will request proposals from independent accounting firms to undertake these audits and report no later than the end of September.

1995-96 ECONOMIC AND FISCAL STATEMENT

Since our Government took office, I have reviewed the Province's books in sufficient detail to know that the measures I have taken today are absolutely essential if we are to get spending under control. There can be no delay. However, these measures do not represent a complete fiscal plan.

This fall I will present to the Legislature an Economic and Fiscal Statement for 1995-96.

CONCLUSION

The scope of the actions outlined in this statement is unprecedented for a government which has been in office for less than four weeks.

The spending crisis our Government inherited means that no other course of action is possible. We are taking swift and decisive action to bring spending under control.

There is more to do. There will be tough choices and difficult decisions to face. With the measures I am announcing today, it is clear our Government is prepared to face them.

This is the road we must take if the people of Ontario are to prosper.

APPENDIX TABLES

ONTARIO FISCAL OUTLOOK			TABLE 1
\$ Million	Potential 1995-96 Outlook ¹	Actions Taken	Current 1995-96 Outlook
Revenue	47,086		47,086
Program Spending	44,615	(1,350)	43,265
Public Debt Interest	8,822	(40)	8,782
Total Operating Spending	53,437		52,047
Operating Deficit	6,351	(1,390)	4,961
Capital Spending	4,244	(494)	3,750
Consolidated Deficit	10,595	(1,884)	8,711
1. Potential Outlook as of June 26, 1995.			

1995-96 SPENDING REDUCTIONS		TABLE 2
	\$ Million	
Program Spending Cuts		
- Operating	850	
- Capital	307	
Ministry Spending Reduction Targets		
- Operating	500	
- Capital	187	
Public Debt Interest Savings	40	
Total Spending Reductions	1,884	

1995-96 PROGRAM SPENDING CUTS - OPERATING		TABLE 3
		\$Million
Cabinet Office		
Eliminate Premier's Council		2
Ministry of Citizenship, Culture and Recreation		
Cut spending on Employment Equity Commission		6
Cut spending on Advocacy Commission		10
Freeze uncommitted direct assistance to business		12
Ministry of Community and Social Services		
Reduce Social Assistance rates to 10% above average of other nine provinces		469
End special municipal relief		30
Tighten Social Assistance eligibility and reduce fraud		15
Stop conversion from profit to non-profit child care		2
Ministry of Economic Development, Trade and Tourism		
Phase out Sector Partnership Fund		23
Freeze uncommitted direct assistance to business		25
Ministry of Education and Training		
Eliminate JobsOntario Training		86
Cancel Jumpstart Program		60
Cancel High Performance Computing commitment		3
Ministry of Environment and Energy		
Freeze uncommitted direct assistance to business		3
Ministry of Finance		
Cap Pay Equity funding		85
Eliminate funding for Training for Workplace Innovation and Demonstration Projects		16
Ministry of Labour		
Eliminate Royal Commission on Workers' Compensation		1
Management Board Secretariat		
Eliminate Employment Equity fund		2
TOTAL PROGRAM SPENDING CUTS - OPERATING		850

1995-96 PROGRAM SPENDING CUTS - CAPITAL		TABLE 4
	\$Million	
Ministry of Community and Social Services		
Stop conversion from profit to non-profit child care	5	
Ministry of Economic Development, Trade and Tourism		
Freeze JobsOntario Community Action community capital	18	
Freeze Ontario Network Infrastructure Program	5	
Ministry of Education and Training		
Cancel High Performance Computing commitment	3	
Ministry of Environment and Energy		
Freeze uncommitted direct assistance to business	3	
Ministry of Finance		
Reduce funding for Canada-Ontario Infrastructure Works	73	
Ministry of Transportation		
Reduce Municipal Roads Allocation	74	
Reduce GTA Rapid Transit	42	
Reduce Provincial highways	36	
Reduce GO Transit	15	
Other transportation reductions	33	
TOTAL PROGRAM SPENDING CUTS - CAPITAL	307	

Note: Numbers may not add due to rounding.

1995-96 MINISTRY OPERATING SPENDING REDUCTION TARGETS TABLE 5

	\$ Million
MINISTRIES Agriculture, Food and Rural Affairs	13
Attorney General	4
Citizenship, Culture and Recreation (Includes Tourism)	25
Community and Social Services	161
Consumer and Commercial Relations	8
Economic Development, Trade and Tourism (excludes Tourism)	9
Education and Training	80
Environment and Energy	15
Executive Offices*	1
Finance	19
Francophone Affairs, Office of	**
Health (administrative savings)	111
Intergovernmental Affairs	**
Labour	9
Management Board Secretariat	31
Municipal Affairs and Housing	25
Native Affairs Secretariat	1
Natural Resources	30
Northern Development and Mines	4
Solicitor General and Correctional Services	10
Transportation	47
Women's Issues, Office Responsible for	1
Contingency Reserve on \$500M Target	(100)
TOTAL	500
* Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office.	
** Office of Francophone Affairs \$0.2M and Intergovernmental Affairs \$0.4M	
Note: Although the assigned targets to ministries total \$600 million, the fiscal plan uses a more prudent assumption of \$500 million in savings. Numbers may not add due to rounding.	

1995-96 MINISTRY CAPITAL SPENDING REDUCTION TARGETS		TABLE 6
		\$ Million
MINISTRIES	Agriculture, Food and Rural Affairs	1
	Attorney General	**
	Citizenship, Culture and Recreation (includes Tourism)	4
	Community and Social Services	6
	Economic Development, Trade and Tourism (excludes Tourism)	5
	Education and Training	40
	Environment and Energy	32
	Health	21
	Management Board Secretariat	34
	Municipal Affairs and Housing	6
	Native Affairs Secretariat	2
	Natural Resources	5
	Northern Development and Mines	18
	Solicitor General and Correctional Services	**
	Transportation	12*
TOTAL		187
* See Table 4 for other Transportation reductions.		
** Attorney General \$0.4M and Solicitor General and Correctional Services \$0.4M.		

SUMMARY OF CHANGES TO 1995-96 DEFICIT FROM APRIL TO JULY 1995		TABLE 7
	\$ Billion	
April 27 Budget Plan Deficit	5.8	
Add: "Non-Budgetary" Capital spending not included in April Deficit figure	<u>2.0</u>	
Restated April 27 Budget Plan Deficit	7.8	
Add: Revenue below April Budget Plan	1.4	
Add: Spending Not Provided For in April Budget Plan (e.g. higher social assistance caseload, capital spending overcommitments, additional long-term care costs)	<u>1.4</u>	
June 26 Potential Deficit Outlook	10.6	
Less: Spending Cuts Announced July 21, 1995	<u>(1.9)</u>	
July 21 Deficit Outlook	8.7	

ONTARIO SOCIAL ASSISTANCE MONTHLY BENEFITS

TABLE 8

Case Type	Current Rates			New Rates effective October 1995		
	Basic Allowance	Maximum Shelter Allowance	Maximum Total	Basic Allowance	Maximum Shelter Allowance	Maximum Total
Single	249	414	663	195	325	520
Couple	498	652	1,150	390	511	901
Single Parent + 1 child*	569	652	1,221	446	511	957
Single Parent + 2 children**	730	707	1,437	572	554	1,126
Couple + 1 child*	608	707	1,315	476	554	1,030
Couple + 2 children**	781	768	1,549	612	602	1,214
Single Disabled	516	414	930	516	414	930
Disabled + spouse	765	652	1,417	765	652	1,417
Disabled + spouse + 1 child**	875	707	1,582	875	707	1,582
Disabled + spouse + 2 children**	1,048	768	1,816	1,048	768	1,816
* child under 12						
** first child over 12, second child under 12						

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**FOR IMMEDIATE RELEASE:
July 21, 1995**

GOVERNMENT OUTLINES SPENDING CUTS, AUDITS, ACCOUNTING REVIEW

Toronto — Ontario Premier Mike Harris said spending cuts outlined by the Minister of Finance today are a necessary response to the Province's worse-than-expected financial situation.

"The spending levels left in place by the former government are, in our view, irresponsible. They are well beyond what Ontarians could reasonably expect and well beyond what our province can afford," Harris said.

"Protecting the province's financial stability is the greatest single responsibility of any government," the Premier said. "The decisions we have made have not been easy, nor were they taken lightly. But they are necessary."

Finance Minister Ernie Eves said an initial review of the Province's books showed that the deficit, including capital spending, was likely to hit \$10.6 billion unless the new government took immediate action. In response, he outlined \$1.9 billion in cuts across a range of programs, including capital spending on transit and roads, a freeze on grants to business, a reduction in social assistance rates, and the cancellation of other initiatives.

With these measures, Eves said, the current outlook for the Province's deficit for 1995-96 is \$8.7 billion. His figures take into account all government spending, including capital investments of \$2.0 billion which the previous government did not report as part of its deficit on a budget basis.

As well, Eves said, an outlook presented by the previous government in April did not take into account economic weakness that is expected to reduce revenues. It also failed to provide for additional spending on such items as social assistance and the long-term care program.

Eves today also announced independent audits of three financial arrangements the province has entered into: agreements relating to the sale of the assets of Ontario Bus Industries; the Ataratiri project, which aimed to build housing on former industrial land in Toronto; and arrangements for the financing of property leases on the Toronto Islands.

Next week, he added, he will set up the Ontario Financial Review Commission to provide advice on the Province's financial reporting practices.

Eves said the actions outlined today were "unprecedented in their scope for a government which has been in office for less than four weeks."

Contact:

Karin Dillabough
Communications and Corporate Affairs Branch
Ministry of Finance
(416) 325 0333

*Ce document, intitulé **Le gouvernement annonce des réductions des dépenses, des vérifications et un examen des pratiques financières**, est également disponible en français.*

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**FOR IMMEDIATE RELEASE:
July 21, 1995**

FINANCE MINISTER OUTLINES \$1.9 BILLION IN SPENDING CUTS

Toronto — Ontario Finance Minister Ernie Eves today announced cuts to dozens of government programs and projects as part of a total package that will save \$1.9 billion in the current fiscal year.

In introducing Eves, Premier Mike Harris said the cuts are essential because his new government inherited a worse fiscal situation than expected.

The Province will save \$1.4 billion by cancelling or lowering funding for specific programs and for capital projects, and \$500 million by giving all ministries individual targets for cuts from current operating budgets.

Specific capital measures will affect rapid transit and road projects. The municipal road budget will be cut by \$74 million, the rapid transit budget in the Greater Toronto Area by \$42 million, and provincial highway and other initiatives by \$84 million. As well, the Province will reduce its contribution to the Canada-Ontario Infrastructure Works program to match the federal contribution, saving \$73 million.

Other identified reductions, and their impact in 1995-96, include:

- freezing business subsidy programs, as well as loans and guarantees, saving \$71 million;
- reducing social assistance rates, except for the disabled, their families, and the elderly, on average to 10 per cent above the average of the nine other provinces by October 1, saving \$469 million;
- ending relief for municipalities with high social-assistance caseloads, saving \$30 million;
- cancelling spending to convert private-sector child-care spaces to non-profit — a program that created no new spaces — to save \$7 million;
- cutting back funding for the Employment Equity and Advocacy Commissions, and for implementation of the Employment Equity Act in the civil service, saving a total of \$18 million;
- eliminating the Premier's Council and the Royal Commission on Workers' Compensation, saving a total of \$3 million;

- ending new commitments under JobsOntario Training, saving \$86 million;
- freezing the capital portion of JobsOntario Community Action, \$18 million;
- not going ahead with the Jumpstart program announced in the April Budget Plan, saving \$60 million;
- capping pay equity at \$500 million a year, to be shared among organizations in the Ontario public service and broader public sector with pay equity agreements, saving \$85 million.

Eves said further savings would be achieved in 1995-96 because the new government has fewer ministers and ministries. As well, OHIP overpayments under current arrangements with Ontario doctors will be recovered.

Many of the program cuts will yield greater savings in future as they are applied to a full year. For example, the changes to social assistance will save about a billion dollars in 1996-97. The government will also save \$24 million by cancelling a commitment toward a planned Ballet-Opera House for Toronto.

As well as these changes to specific programs, every ministry has been assigned a savings target for permanent spending reductions in its operating budget. These cuts will total \$500 million for 1995-96, Eves said. The permanent savings generated by the package of measures will be reflected in ministries' spending targets for future years, he added.

Contact:

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Ce document, intitulé Le ministre des Finances annonce des réductions des dépenses de 1,9 milliard de dollars, est également disponible en français.

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**FOR IMMEDIATE RELEASE:
July 21, 1995**

INDEPENDENT AUDITORS TO EXAMINE GOVERNMENT DEALS

Toronto — Ontario Finance Minister Ernie Eves today announced that independent experts will launch special "value-for-money" audits of certain financial transactions and projects undertaken by the Province.

Audits will be carried out on:

- agreements relating to the sale of assets of Ontario Bus Industries, signed shortly before the provincial election was called;
- the Ataratiri project, which aimed to build housing on former industrial land in downtown Toronto; and
- arrangements for the financing of property leases on the Toronto Islands.

The Chair of Management Board, Dave Johnson, will oversee the reviews. Johnson will request proposals from independent accounting firms and present results before the end of September.

"Ontarians have a right to know what the Government's obligations are," Eves said. "Where costs have risen, they should know why — and they should know that management practices are in place to prevent similar cost overruns in future."

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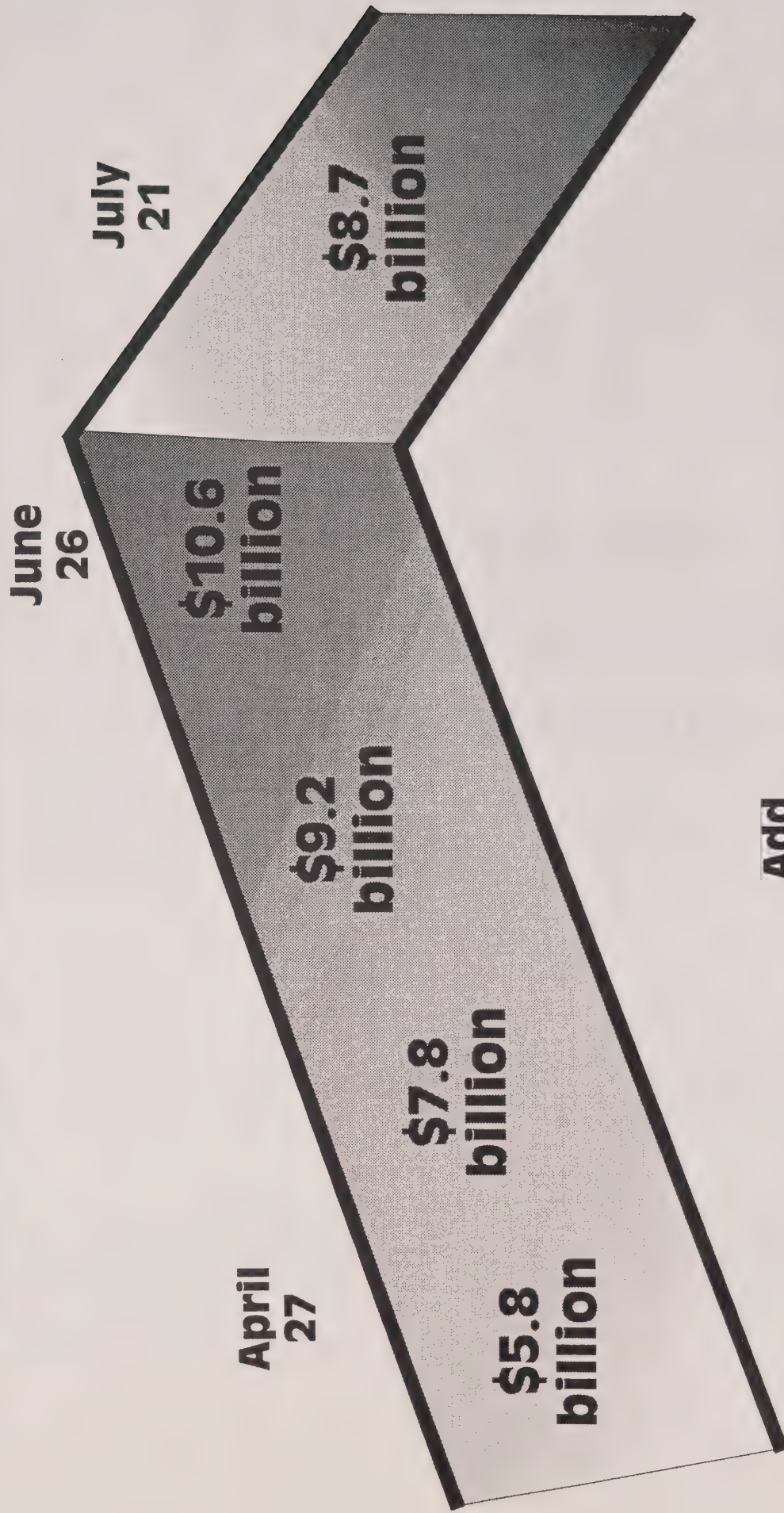
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*Ce document, intitulé **Examen des contrats gouvernementaux par des vérificateurs indépendants**, est également disponible en français.*

THE REAL DEFICIT PICTURE



Budget Plan **Add Capital** **Add Unrealistic Revenue Projections** **Add Overspending** **Today's Actions**

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STATEMENT BY THE HONOURABLE MIKE HARRIS PREMIER OF ONTARIO



July 21, 1995

As I travelled this province over the past several months, Ontarians have told me what they know in their hearts to be true:

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That concern was confirmed to us after the election, when Cabinet was given its first briefing on the state of the province's finances. This morning, we want to share that information with you.

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As you will soon hear from the Minister of Finance, the previous government left Ontario in far worse shape than their April economic statement indicated.

We have learned that revenue projections in the NDP's April economic statement were inflated. Spending is far higher than what the former government published, and poorly accounted for.

The combined effect of exaggerated revenue figures and uncontrolled expenditures means that, instead of reducing the deficit — as they said they had done — the former government has actually left Ontarians facing a deficit larger than last year's.

The easy thing for a new government such as mine to do is to point to the mess we've inherited, to spend all our time for the first year pointing fingers and laying blame.

What I want to do today is underscore that we got the message on June the 8th. The people of this province didn't send us here to wring our hands.

They told us the status quo is unacceptable.

Unacceptable to working men and women who struggle to make ends meet, while government squanders their hard-earned tax dollars.

Unacceptable to parents concerned about hope and opportunity for their children's future.

Unacceptable to my government.

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undermines the financial stability of this province.

Voters elected us to change the status quo, to put our problems behind us and get Ontario moving again. We asked for that job, we were given and we accept that responsibility.

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Some of these measures may not be welcomed by the special interests, but all will be understood by Ontario's taxpayers who recognise that government is living beyond its means.

None of our decisions are easy or taken lightly. But, working together, and drawing on the strengths of this province, Ontario can and will live up to its potential — can and will build a better and a brighter future.

Getting our finances in order is not an end in itself — only the start of the process of re-igniting our economy and restoring opportunity and hope to our province.

We Ontarians are in this together. We must all share in the sacrifices if we are to share in the gains achieved by getting Ontario back on track.

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Right to do in order to restore confidence in our economy and create jobs.

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ONTARIO FISCAL OVERVIEW AND SPENDING CUTS

Ernie Eves
Minister of Finance

July 21, 1995



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CURRENT OUTLOOK

Since taking office on June 26, I have been briefed by staff of the Ministry of Finance on the outlook for Ontario's finances.

Based on this initial review of the Province's books, it appears that, without further action, total spending this year would be about \$1.4 billion higher than in the former Government's April Budget Plan.

The reason for this, in my opinion, is that the former Government did not take the tough decisions to keep spending under control. For example:

- Without the actions we are taking today, capital spending would be \$344 million higher than budgeted for in April.
- Without the actions we are taking today, our social assistance costs this year would be \$600 million higher than budgeted for in April.
- And some known expenses, like \$63 million in additional costs for the long-term care program, were not included in the April Budget Plan at all.

In addition, revenues this year will be about \$1.4 billion lower than the former Government projected. Clearly the economy weakened earlier in 1995. The economic assumptions underlying the previous Government's

Budget Plan were overly optimistic. In fact, Ontario's real GDP declined in the first quarter of 1995.

The slowdown of the U.S. economy hampered Ontario's export industries, and the impact of higher interest rates in 1994 has weakened consumer spending.

As well, the former Government's plan assumed \$100 million in new non-tax revenues from measures to be decided after the election.

There are signs that economic growth will resume in the third and fourth quarters of this year. Housing activity has picked up, manufacturing is expanding once more, and interest rates are down from 1994. Yet we cannot realistically expect revenues to be as high as the former Government projected in April.

The bottom line is that, if we do not act immediately, the Province's deficit this year will be \$10.6 billion. This is unacceptable.

CUTTING SPENDING

Even in the face of a slower economy, governments must stop acting as though the problem is one of insufficient revenues. Based on the briefings I have received, I am convinced that our Government has inherited a severe spending problem. We are taking immediate action.

- We have begun by putting our house in order. This Government has fewer ministers and fewer ministries than its predecessors.
- All programs offering grants, loans or guarantees to business have been frozen. This measure will save \$71 million in 1995-96. This includes \$5 million from the Ontario Network Infrastructure Program to support the telecommunications sector. It also includes \$23 million from the Sector Partnership Fund, which is being phased out.
- Social assistance rates will be reduced by 21.6 per cent effective October 1, so that they are on average 10 per cent higher than the average of the other nine provinces. This measure will save \$469 million

in 1995-96 and \$938 million in 1996-97. Recipients who work will be allowed to earn back the difference between the old and new rates.

- Social assistance benefits for the support of seniors, persons with disabilities and their families will not be reduced.
- New measures to tighten eligibility and reduce fraud will be introduced to ensure that welfare goes to those persons who are truly in need, saving up to \$15 million this year.
- The Province will end special relief for municipalities with high welfare caseloads. This will result in reduced transfers of \$30 million this year. However, these will be more than offset by reduced municipal welfare costs.
- We are cancelling spending for the conversion of private-sector childcare spaces into non-profit spaces, saving \$7 million this year and \$13 million next year. This program has cost taxpayers \$52 million to date without creating a single new childcare space. In addition, as dollars become available, municipalities will now be able to allocate subsidized childcare spaces to private operators. We will also be examining the childcare system as a whole, including wage subsidies, to ensure that taxpayers' dollars are spent in the most effective way.
- We have placed a moratorium on the development of non-profit housing.
- The JobsOntario Training program is being cancelled. Effective immediately, no new financial commitments will be made. Commitments to participants currently in the program will be honoured. This measure will save \$86 million in 1995-96 and another \$40 million over the two following years. Effective October 1, the 14,000 childcare spaces created under JobsOntario Training will be funded by the Province and municipalities under the regular 80-20 cost-sharing formula.
- Rapid transit, roads, highways, and GO Transit projects will be deferred, saving \$200 million this year. This includes a reduction of \$74 million in the budget for municipal roads, \$42 million for rapid

transit in the Greater Toronto Area, \$36 million for provincial highways, \$15 million for GO Transit and \$33 million in other transportation initiatives. We will proceed with transit projects in a phased approach, beginning with the Sheppard subway line in Toronto. We are deferring the Eglinton West project until the Province and Metro Toronto have sufficient funding to proceed.

- The Provincial contribution to the Canada-Ontario Infrastructure Works program will be reduced to \$287 million this year to match the federal government's contribution. This measure will save \$73 million this year.
- We are cancelling the former Government's multi-year commitments of \$24 million towards a new or renovated ballet-opera house in Toronto and \$29 million for a high-performance computing centre.
- The JobsOntario Community Action program will not make any new commitments for community capital projects, pending a review of the program. This measure will save \$18 million in 1995-96.
- We are cancelling the Jumpstart program announced in April. This measure will save \$60 million this year. We will continue to fund other youth employment programs with budgets totalling \$185 million this year.
- Funding for the Employment Equity Commission will be cut back pending the repeal of the Employment Equity Act. Planned additional funding to implement employment equity legislation within the Ontario Public Service will be eliminated. These measures will save \$8 million this year.
- OHIP overpayments under current arrangements with doctors will be recovered.
- Funding for the Training for Workplace Innovation and Demonstration Projects programs will be eliminated, saving \$16 million this year.
- Funding for the Advocacy Commission will be cut back pending the repeal of the Advocacy Act, saving \$10 million this year.

Ontario Financial Review Commission

In the next few days I will set up the Ontario Financial Review Commission to help us review the financial reporting practices in the Budget, the Public Accounts, and the annual Estimates.

The Commission will look at such issues as the consistency of our financial reporting. Does it make sense to have different accounting presentations for the Budget and the Public Accounts, as we do now?

The Commission will also examine the business plans and proper financial reporting for Crown corporations.

Special audits

I am also directing that value-for-money audits of selected Government projects and agreements be undertaken. Ontarians should know about their Government's outstanding obligations. Where costs have risen, they should know why — and they should know that management practices are in place to prevent similar cost overruns in the future. These audits will review:

- arrangements for the financing of property leases on the Toronto Islands
- the Province's agreements relating to the sale of the assets of Ontario Bus Industries, and
- the Ataratiri project, which was intended to build housing on former industrial land in downtown Toronto.

The Chair of Management Board will request proposals from independent accounting firms to undertake these audits and report no later than the end of September.

1995-96 ECONOMIC AND FISCAL STATEMENT

Since our Government took office, I have reviewed the Province's books in sufficient detail to know that the measures I have taken today are absolutely essential if we are to get spending under control. There can be no delay. However, these measures do not represent a complete fiscal plan.

This fall I will present to the Legislature an Economic and Fiscal Statement for 1995-96.

CONCLUSION

The scope of the actions outlined in this statement is unprecedented for a government which has been in office for less than four weeks.

The spending crisis our Government inherited means that no other course of action is possible. We are taking swift and decisive action to bring spending under control.

There is more to do. There will be tough choices and difficult decisions to face. With the measures I am announcing today, it is clear our Government is prepared to face them.

This is the road we must take if the people of Ontario are to prosper.

APPENDIX TABLES

ONTARIO FISCAL OUTLOOK			TABLE 1
\$ Million	Potential 1995-96 Outlook ¹	Actions Taken	Current 1995-96 Outlook
Revenue	47,086		47,086
Program Spending	44,615	(1,350)	43,265
Public Debt Interest	8,822	(40)	8,782
Total Operating Spending	53,437		52,047
Operating Deficit	6,351	(1,390)	4,961
Capital Spending	4,244	(494)	3,750
Consolidated Deficit	10,595	(1,884)	8,711
1. Potential Outlook as of June 26, 1995.			

1995-96 SPENDING REDUCTIONS		TABLE 2
		\$ Million
Program Spending Cuts		
- Operating		850
- Capital		307
Ministry Spending Reduction Targets		
- Operating		500
- Capital		187
Public Debt Interest Savings		40
Total Spending Reductions		1,884

1995-96 PROGRAM SPENDING CUTS - OPERATING		TABLE 3
	\$Million	
Cabinet Office		
Eliminate Premier's Council	2	
Ministry of Citizenship, Culture and Recreation		
Cut spending on Employment Equity Commission	6	
Cut spending on Advocacy Commission	10	
Freeze uncommitted direct assistance to business	12	
Ministry of Community and Social Services		
Reduce Social Assistance rates to 10% above average of other nine provinces	469	
End special municipal relief	30	
Tighten Social Assistance eligibility and reduce fraud	15	
Stop conversion from profit to non-profit child care	2	
Ministry of Economic Development, Trade and Tourism		
Phase out Sector Partnership Fund	23	
Freeze uncommitted direct assistance to business	25	
Ministry of Education and Training		
Eliminate JobsOntario Training	86	
Cancel Jumpstart Program	60	
Cancel High Performance Computing commitment	3	
Ministry of Environment and Energy		
Freeze uncommitted direct assistance to business	3	
Ministry of Finance		
Cap Pay Equity funding	85	
Eliminate funding for Training for Workplace Innovation and Demonstration Projects	16	
Ministry of Labour		
Eliminate Royal Commission on Workers' Compensation	1	
Management Board Secretariat		
Eliminate Employment Equity fund	2	
TOTAL PROGRAM SPENDING CUTS - OPERATING	850	

1995-96 PROGRAM SPENDING CUTS - CAPITAL		TABLE 4
	\$Million	
Ministry of Community and Social Services		
Stop conversion from profit to non-profit child care	5	
Ministry of Economic Development, Trade and Tourism		
Freeze JobsOntario Community Action community capital	18	
Freeze Ontario Network Infrastructure Program	5	
Ministry of Education and Training		
Cancel High Performance Computing commitment	3	
Ministry of Environment and Energy		
Freeze uncommitted direct assistance to business	3	
Ministry of Finance		
Reduce funding for Canada-Ontario Infrastructure Works	73	
Ministry of Transportation		
Reduce Municipal Roads Allocation	74	
Reduce GTA Rapid Transit	42	
Reduce Provincial highways	36	
Reduce GO Transit	15	
Other transportation reductions	33	
TOTAL PROGRAM SPENDING CUTS - CAPITAL	307	

Note: Numbers may not add due to rounding.

1995-96 MINISTRY OPERATING SPENDING REDUCTION TARGETS **TABLE 5**

	\$ Million
MINISTRIES Agriculture, Food and Rural Affairs	13
Attorney General	4
Citizenship, Culture and Recreation (Includes Tourism)	25
Community and Social Services	161
Consumer and Commercial Relations	8
Economic Development, Trade and Tourism (excludes Tourism)	9
Education and Training	80
Environment and Energy	15
Executive Offices*	1
Finance	19
Francophone Affairs, Office of	**
Health (administrative savings)	111
Intergovernmental Affairs	**
Labour	9
Management Board Secretariat	31
Municipal Affairs and Housing	25
Native Affairs Secretariat	1
Natural Resources	30
Northern Development and Mines	4
Solicitor General and Correctional Services	10
Transportation	47
Women's Issues, Office Responsible for	1
Contingency Reserve on \$500M Target	(100)
TOTAL	500
* Includes Office of the Lieutenant Governor, Office of the Premier and Cabinet Office.	
** Office of Francophone Affairs \$0.2M and Intergovernmental Affairs \$0.4M	
Note: Although the assigned targets to ministries total \$600 million, the fiscal plan uses a more prudent assumption of \$500 million in savings. Numbers may not add due to rounding.	

1995-96 MINISTRY CAPITAL SPENDING REDUCTION TARGETS
TABLE 6

	\$ Million
MINISTRIES Agriculture, Food and Rural Affairs	1
Attorney General	**
Citizenship, Culture and Recreation (includes Tourism)	4
Community and Social Services	6
Economic Development, Trade and Tourism (excludes Tourism)	5
Education and Training	40
Environment and Energy	32
Health	21
Management Board Secretariat	34
Municipal Affairs and Housing	6
Native Affairs Secretariat	2
Natural Resources	5
Northern Development and Mines	18
Solicitor General and Correctional Services	**
Transportation	12 *
TOTAL	187
* See Table 4 for other Transportation reductions.	
** Attorney General \$0.4M and Solicitor General and Correctional Services \$0.4M.	

**SUMMARY OF CHANGES TO 1995-96 DEFICIT
FROM APRIL TO JULY 1995**

TABLE 7

	<u>\$ Billion</u>
April 27 Budget Plan Deficit	5.8
Add: "Non-Budgetary" Capital spending not included in April Deficit figure	<u>2.0</u>
Restated April 27 Budget Plan Deficit	7.8
Add: Revenue below April Budget Plan	1.4
Add: Spending Not Provided For in April Budget Plan (e.g. higher social assistance caseload, capital spending overcommitments, additional long-term care costs)	<u>1.4</u>
June 26 Potential Deficit Outlook	10.6
Less: Spending Cuts Announced July 21, 1995	<u>(1.9)</u>
July 21 Deficit Outlook	8.7

ONTARIO SOCIAL ASSISTANCE MONTHLY BENEFITS

TABLE 8

Case Type	Current Rates			New Rates effective October 1995		
	Basic Allowance	Maximum Shelter Allowance	Maximum Total	Basic Allowance	Maximum Shelter Allowance	Maximum Total
Single	249	414	663	195	325	520
Couple	498	652	1,150	390	511	901
Single Parent + 1 child*	569	652	1,221	446	511	957
Single Parent + 2 children**	730	707	1,437	572	554	1,126
Couple + 1 child*	608	707	1,315	476	554	1,030
Couple + 2 children**	781	768	1,549	612	602	1,214
Single Disabled	516	414	930	516	414	930
Disabled + spouse	765	652	1,417	765	652	1,417
Disabled + spouse + 1 child**	875	707	1,582	875	707	1,582
Disabled + spouse + 2 children**	1,048	768	1,816	1,048	768	1,816

* child under 12

** first child over 12, second child under 12

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**FOR IMMEDIATE RELEASE:
July 21, 1995**

GOVERNMENT OUTLINES SPENDING CUTS, AUDITS, ACCOUNTING REVIEW

Toronto — Ontario Premier Mike Harris said spending cuts outlined by the Minister of Finance today are a necessary response to the Province's worse-than-expected financial situation.

"The spending levels left in place by the former government are, in our view, irresponsible. They are well beyond what Ontarians could reasonably expect and well beyond what our province can afford," Harris said.

"Protecting the province's financial stability is the greatest single responsibility of any government," the Premier said. "The decisions we have made have not been easy, nor were they taken lightly. But they are necessary."

Finance Minister Ernie Eves said an initial review of the Province's books showed that the deficit, including capital spending, was likely to hit \$10.6 billion unless the new government took immediate action. In response, he outlined \$1.9 billion in cuts across a range of programs, including capital spending on transit and roads, a freeze on grants to business, a reduction in social assistance rates, and the cancellation of other initiatives.

With these measures, Eves said, the current outlook for the Province's deficit for 1995-96 is \$8.7 billion. His figures take into account all government spending, including capital investments of \$2.0 billion which the previous government did not report as part of its deficit on a budget basis.

As well, Eves said, an outlook presented by the previous government in April did not take into account economic weakness that is expected to reduce revenues. It also failed to provide for additional spending on such items as social assistance and the long-term care program.

Eves today also announced independent audits of three financial arrangements the province has entered into: agreements relating to the sale of the assets of Ontario Bus Industries; the Ataratiri project, which aimed to build housing on former industrial land in Toronto; and arrangements for the financing of property leases on the Toronto Islands.

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Next week, he added, he will set up the Ontario Financial Review Commission to provide advice on the Province's financial reporting practices.

Eves said the actions outlined today were "unprecedented in their scope for a government which has been in office for less than four weeks."

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*Ce document, intitulé **Le gouvernement annonce des réductions des dépenses, des vérifications et un examen des pratiques financières**, est également disponible en français.*

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**FOR IMMEDIATE RELEASE:
July 21, 1995**

INDEPENDENT AUDITORS TO EXAMINE GOVERNMENT DEALS

Toronto — Ontario Finance Minister Ernie Eves today announced that independent experts will launch special “value-for-money” audits of certain financial transactions and projects undertaken by the Province.

Audits will be carried out on:

- agreements relating to the sale of assets of Ontario Bus Industries, signed shortly before the provincial election was called;
- the Ataratiri project, which aimed to build housing on former industrial land in downtown Toronto; and
- arrangements for the financing of property leases on the Toronto Islands.

The Chair of Management Board, Dave Johnson, will oversee the reviews. Johnson will request proposals from independent accounting firms and present results before the end of September.

“Ontarians have a right to know what the Government’s obligations are,” Eves said. “Where costs have risen, they should know why — and they should know that management practices are in place to prevent similar cost overruns in future.”

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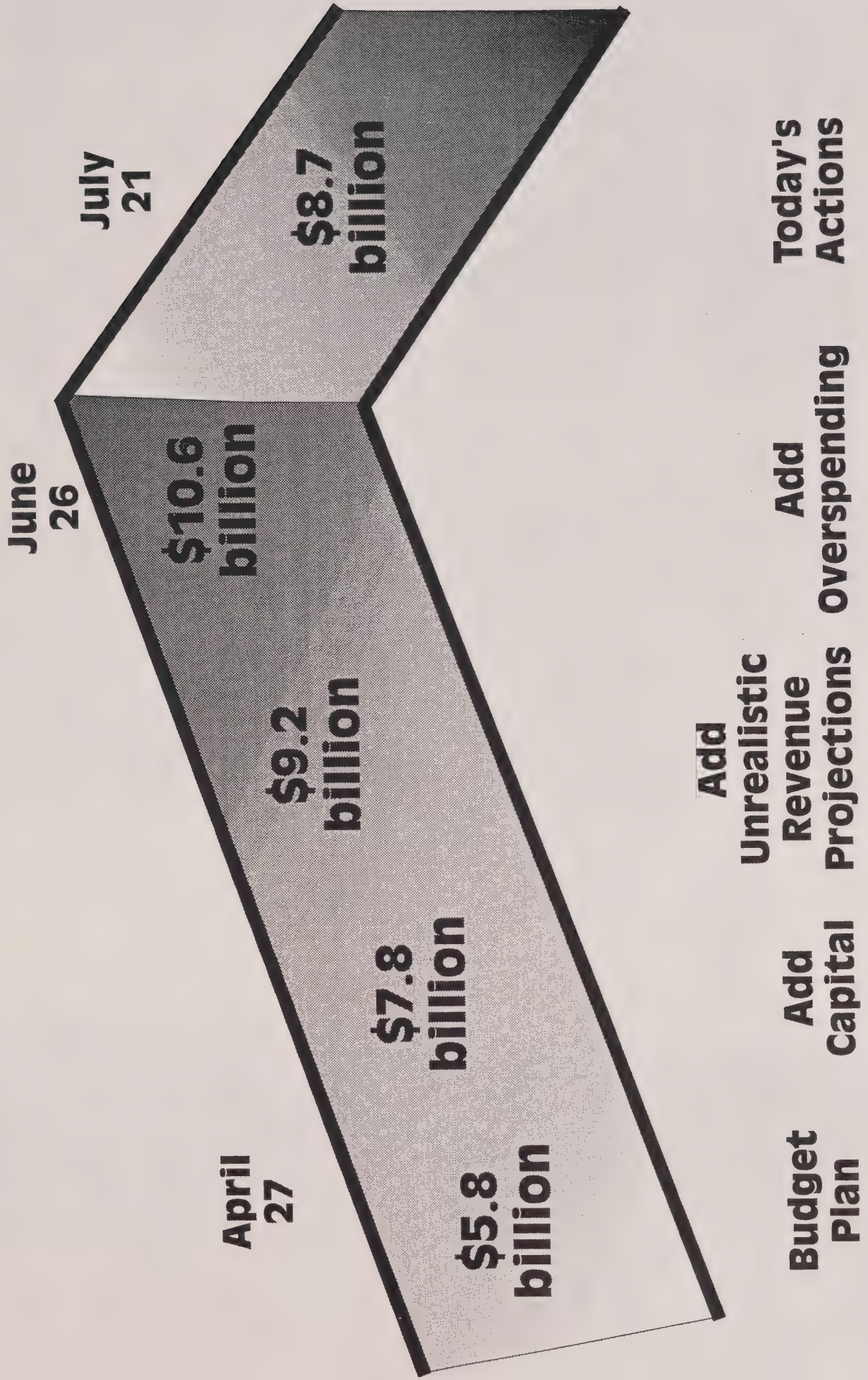
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*Ce document, intitulé **Examen des contrats gouvernementaux par des vérificateurs indépendants**, est également disponible en français.*

THE REAL DEFICIT PICTURE



"We're beginning to understand that there's a very complex relationship between the environment, the economy and our social structures. We don't have the luxury any more in Ontario to say the fiscal problem is someone else's problem, the environment is someone else's problem, and the social problem is someone else's problem. We can't afford to continue the institutionalization of these separate compartments. If you look around the world, those societies which have done well and are doing better, are societies which have come to terms with that simple fact."

FIDELIS Premier Bob Rae

Ontario

« Nous commençons à saisir le lien très complexe entre l'environnement, l'économie et les structures sociales. Nous ne pouvons plus nous permettre, en Ontario, de dire que les problèmes fiscaux, environnementaux et sociaux ne nous concernent pas. Nous ne pouvons nous permettre de poursuivre l'institutionnalisation de ces trois composantes. Dans le monde, les sociétés qui ont su faire face à cette simple réalité sont prospères. »

Le premier ministre Bob Rae

SIC PERMANET

FIDELIS

Ontario

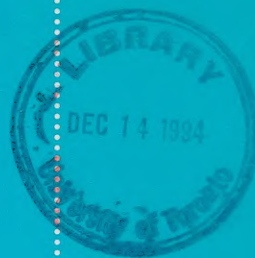


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